

**From:** [brian@community-resourcebank.com](mailto:brian@community-resourcebank.com)  
**To:** [Director - FASB](#)  
**Subject:** Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft  
**Date:** Thursday, September 23, 2010 10:08:03 AM

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Brian Rykhus  
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September 23, 2010

Russell Golden  
Technical Director, Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Dear Mr. Golden:

Thank you for the opportunity to comment on FASB's Exposure Draft: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities. I am writing to urge FASB to not go forward with the proposal. The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks.

The primary business of community banks is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis. Community banks fund their operations by taking deposits and holding loans for the long term. Most financial instruments this bank holds are not readily marketable.

I oppose the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation. This would not provide accurate information and the calculations would be expensive and time consuming, particularly for smaller banks that have limited staff resources to conduct the analysis.

We also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows. Fair value measurements will not provide a better understanding of the values of illiquid commercial or agricultural loans held by small banks in rural areas such as this bank. Community banks such as this bank originate and hold small business and agricultural loans for which there is no active market; it would be very difficult and costly to mark them to market and the values determined would be questionably reliable at best.

The expanded reporting of comprehensive income is unnecessary, confusing, and of little use to most financial statement users. Conservative community bankers (and bank regulators) see the need for more flexibility in setting the allowance for loan and lease losses. We are all well aware that economic cycles occur and it is very difficult to absorb losses and raise capital during times of economic difficulties, such as the current environment.

Accounting standards and guidance should not be pro-cyclical. Recent market conditions have demonstrated the pro-cyclical nature of mark-to-market accounting as declining values of financial instruments necessitated write-downs and sales, causing further write-downs and sales. The proposed accounting changes will exacerbate cyclicity in financial results due to the greater reliance on fair value measurements, valuations that will be less accurate than current accounting requirements.

These accounting changes will increase the volatility of bank balance sheets, especially capital, forcing them to face higher capital requirements or decrease lending at a time when regulators are calling for more capital and our economy needs more, not less, credit availability.

Again, thank your for the opportunity to comment on this proposal.

Sincerely,

Brian Rykhus  
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